



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

INSURANCE BULLETIN 16-01

Assistance to Missouri residents impacted by flooding

Issued: January 5, 2016

The following Bulletin is issued by the Missouri Department of Insurance, Financial Institutions and Professional Registration ("Department") to inform and educate the reader on the specified issue. It does not have the force and effect of law, is not an evaluation of any specific facts or circumstances, and is not binding on the Department or an insurer. See §374.015, RSMo.

To: All insurers writing insurance in the State of Missouri

From: John M. Huff, Director

Re: Assistance to Missouri residents impacted by recent flooding

The Department is issuing this Bulletin to assist individuals and entities regulated by the Department as they work to address the flooding that is affecting Missouri consumers.

Cancellation Grace Period Due to Nonpayment or Late Payment

The Department requests all insurers licensed in this State allow coverage to remain in effect for any Missouri insured who resides in a county where a disaster has been declared and who has had their ability to timely act or respond to an insurer materially affected by the flood. Insurers may alternatively choose to implement this request in a broader manner such as delineating impacted areas by zip code, county or other geographic territory to assist impacted insureds in recovering from the recent floods.

Insurers should also consider providing a grace period during which their insureds can take actions necessary to keep their policies in force. However, the Department is not requesting insurers waive any premiums or other consideration owed on any policy or contract during this period of time. The Department anticipates that a failure to pay premiums or remit consideration within a reasonable time after the expiration of such disaster designation may subject the policy to a retroactive cancellation, in accordance with the policy terms.

For those policies with an automatic bank draft or electronic funds transfer arrangement, insurers may continue payment deductions unless or until the policyholder terminates this arrangement with the insurer and the financial institution.

Nothing in this bulletin should be construed as the Department requesting an insurer to continue coverage for an insured who is otherwise unaffected by any mail disruptions. Additionally, nothing in this bulletin should be construed as the Department requesting any insurer to refrain from terminating coverage on the basis of fraud on the part of an insured.

Out-of-Network Benefits Treated as In-Network

The Department makes an additional request to all health insurers as defined in section 376.1350 that provide health insurance with a network component while the affected areas are designated as a disaster. If such insurers have insureds affected by flooding (which could be either a circumstance where the insured's primary residence was impacted by flooding or where the insured's ability to access their provider was impacted by flooding), who receives out of network care, the health insurer should consider providing coverage to the insured at no greater cost to the insured than if the insured had received care from an in network provider.

The Department appreciates the assistance and cooperation of insurers as Missourians continue to recover from this historic and unprecedented flooding event.

Insurers with questions regarding this Bulletin or needing other assistance may contact Angela Nelson, Director of the Division of Market Regulation at 573-751-2430.

####



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

INSURANCE BULLETIN 16-02

Price Optimization in Property & Casualty Insurance Products

Issued: January 12, 2016

The following Bulletin is issued by the Missouri Department of Insurance, Financial Institutions and Professional Registration ("Department") to inform and educate the reader on the specified issue. It does not have the force and effect of law, is not an evaluation of any specific facts or circumstances, and is not binding on the Department or an insurer. See §374.015, RSMo.

To: All property and casualty insurance companies and other interested parties

From: John M. Huff, Director

Re: Price Optimization in Personal Lines Ratemaking

The purpose of this Bulletin is to inform Missouri insurers of the insurance laws applicable to the rating practice generally known as "price optimization".

The Casualty Actuarial and Statistical Task Force (CASTF) of the National Association of Insurance Commissioners (NAIC) developed and recently adopted the White Paper on Price Optimization. A copy of the White Paper can be found here: [CASTF White Paper](#).

The use of the following practices and characteristics are identified in the NAIC White Paper as potentially violating insurance laws that prohibit unfair discrimination:

- a. Price elasticity of demand;
- b. A policyholder's propensity to shop for insurance;
- c. Retention adjustment at an individual policyholder level; and
- d. A policyholder's propensity to ask questions or file complaints.

“Price optimization” is generally considered to be the use of factors to help determine or to adjust the insured's premium that are not specifically related to the insured's risk or hazard. An example would be using an individual policyholder's responses to previous premium increases to determine how much of a premium increase the policyholder will tolerate at renewal before switching to a different insurer. More plainly, if an insured did not complain about a rate increase or cancel the policy due to such an increase, an insurer may use this information to justify additional rate increases. This practice can result in two policyholders paying different premiums, even though they have the same loss history and risk profile.

Missouri law generally requires that base rates and rating classes be based on policyholder characteristics specifically related to an insurer's expected losses, expenses, and/or policyholder risk. Insurers should carefully review the rating standards and requirements set forth under Missouri law (§§379.318 and 379.470, RSMo and 20 CSR 500-4.200, as applicable) to ensure their compliance. Insurers are responsible for any model or program they utilize in the development of rates and the resulting rates should not be unfairly discriminatory in violation of Missouri law. Additionally, Missouri law prohibits the use of rates that are excessive or inadequate.

To aid the Department in determining whether an insurer's rating plan is in compliance with Missouri insurance law, insurers may be asked to identify and explain their use of price optimization in personal lines rate filings.

If an insurer self-identifies a potential use of unfairly discriminatory rates, the insurer is encouraged to visit with the Department as soon as practicable, as contemplated by Section 374.049.9, RSMo.

Any questions or comments regarding this Bulletin should be directed to the Market Regulation Division at 573-751-3365.



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

INSURANCE BULLETIN 16-03

Request for Comment – Premium Stabilization

Issued: February 2, 2016

The following Bulletin is issued by the Missouri Department of Insurance, Financial Institutions and Professional Registration ("Department") to inform and educate the reader on the specified issue. It does not have the force and effect of law, is not an evaluation of any specific facts or circumstances, and is not binding on the Department or an insurer. See §374.015, RSMo.

To: All insurers writing property and casualty insurance in the State of Missouri, producers and any other interested stakeholders

From: John M. Huff, Director

Re: Request for Comment – Premium Stabilization

The Department is considering promulgating rules regarding the use of premium stabilization rules or practices by property and casualty insurers. Premium stabilization is generally understood to be a practice intended to moderate a significant premium change on a segment or block of business. Premium stabilization is a temporary or limited duration practice and does not replace traditional underwriting and rating methodologies, which are based on actuarial standards and practices.

Premium stabilization is generally used in two circumstances. The first circumstance is when significant changes to the insurer's base rates may result in large premium changes (increases or decreases) to policyholders. An insurer will utilize premium stabilization to phase in an indicated or needed rate change to avoid policyholder rate volatility. The second circumstance is

when an insurer significantly modifies its rating systems or when an insurer merges or acquires business from a different insurer (either within the same group of affiliated companies or outside of the group). In this instance, the company may utilize what are referred to as “transitional rules” to effectively accomplish the same moderation of premium changes.¹

Previously, the Department had issued [Bulletin 11-02](#), “Personal lines premium stabilization of renewal policies”. [Bulletin 11-02](#) expired on December 31, 2012 and was formally rescinded on January 12, 2015.

The Department is considering the regulatory issues and concerns related to premium stabilization practices. The Department is issuing this Bulletin specifically to solicit public comment, gather additional information and determine how best to proceed.

Interested parties are asked to submit comments regarding the use of premium stabilization practices in the State of Missouri **no later than March 17, 2016**. Comments should be submitted to: marketregulation@insurance.mo.gov.

The Department is specifically seeking comment on the following key issues:

- The definition of premium stabilization practices;
- The extent to which premium stabilization practices comply with Missouri rating laws that generally provide that rates shall not be “excessive, inadequate or unfairly discriminatory”;
- The circumstances under which premium stabilization practices are appropriate and permissible, if any;
- The circumstances under which premium stabilization practices are not appropriate, if any;
- Those lines of insurance to which premium stabilization practices should be permitted;
- The appropriate duration of premium stabilization practices (e.g., by renewal cycle);
- Any limitations on the practice of premium stabilization (e.g., percentage limitations);
- The extent to which different consideration should be given to the two types of premium stabilization practices described herein – large internal rate changes versus the acquisition of new blocks of business;
- The extent to which it should be permissible for insurers to modify premiums for a policyholder, i.e., to minimize the rate change a policyholder experiences they are switched from one insurer to another through a merger, acquisition or inter-affiliate transfer;
- Whether multiple premium stabilization practices should be permitted to be applied (simultaneously or subsequently) within the same book of business;

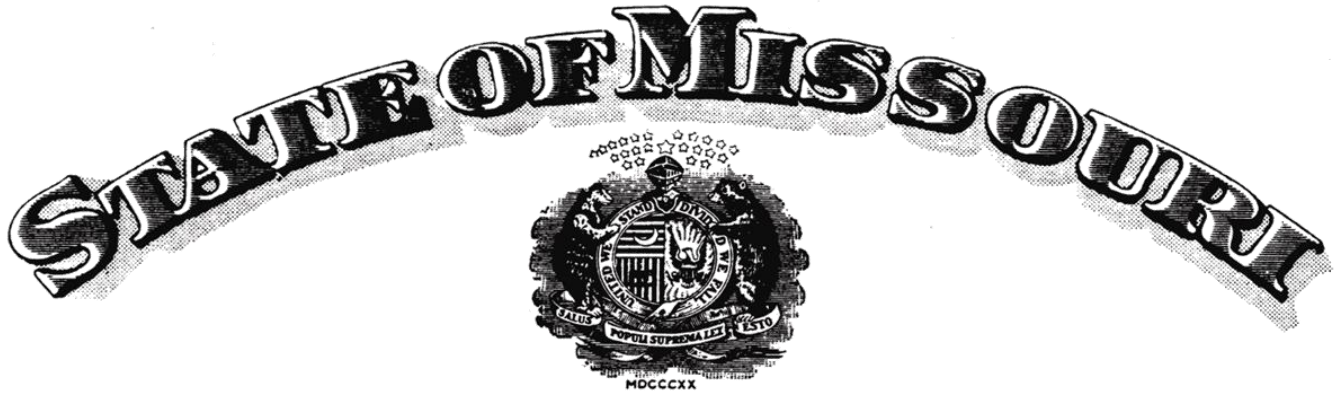
¹ Paraphrased from the National Association of Insurance Commissioners (NAIC), Casualty Actuarial and Statistical Task Force (CASTF) [Price Optimization White Paper](#). [NAIC CASTF White Paper](#)

- Filing requirements and supporting documentation for the transparent disclosure of premium stabilization practices within rate filings submitted to the Department;
- Filing requirements for corresponding rules detailing premium stabilization practices and methodologies;
- Filing requirements regarding the detailed implementation of any planned premium stabilization practices;
- The extent to which information may be trade secret or proprietary;
- Whether there should be any notice requirements to policyholders regarding future premium changes resulting from premium stabilization.

Subsequent to the written comment period, the Department will hold a public hearing to discuss all comments received and to allow further comment and discussion from interested parties.

For those wanting additional information or clarification regarding this Request for Comment may contact Angela Nelson at 573-751-2430 or via email at angela.nelson@insurance.mo.gov.

####



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

INSURANCE BULLETIN 16-04

Limited Lines Self-Service Storage Insurance Producer Licensing

Issued: August 22, 2016

The following Bulletin is issued by the Missouri Department of Insurance, Financial Institutions and Professional Registration ("DIFP") to inform and educate the reader on the specified issue. It does not have the force and effect of law, is not an evaluation of any specific facts or circumstances, and is not binding on the DIFP. See Section 374.015 RSMo.

To: Limited lines self-service storage insurance producers

From: John M. Huff, Director

Re: Limited Lines Self-Service Storage Insurance Producer Licensing

The legislature passed and Governor Jeremiah W. (Jay) Nixon signed into law House Bill 2194 with new Section 379.1640. Certain individuals marketing limited lines self-service storage ("LLSSS") insurance must obtain a license from the DIFP. The new statute and its LLSSS licensing provisions take effect August 28, 2016. Prior to August 28, 2016, the DIFP lacks statutory authority to review LLSSS insurance producer applications and issue licenses.

The DIFP is charged with investigating license applications to ensure that only qualified applicants are granted licenses for the purpose of protecting consumers. Given the number of applicants and the fact that each application will need to be reviewed, not every applicant will have a licensing decision on August 28, 2016.

While House Bill 2194 prohibits the offering of LLSSS insurance by certain individuals without a license, the DIFP has been made aware of significant concerns about applying that prohibition to those with pending but unresolved license applications. In order to accomplish a transition from an unlicensed marketplace to a licensed one and complete necessary applicant investigations, the DIFP will not take enforcement action against any licensure applicant solely for engaging in unlicensed LLSSS activity if the DIFP receives a complete application from the individual LLSSS insurance producer.

This no-action bulletin does not insulate an applicant from action initiated by the DIFP unrelated to licensure status. The DIFP will post a list of the completed applications received at <http://insurance.mo.gov/self-servicestorageproducer>. Upon receipt of an application, the DIFP will correspond with the applicant to request confirmation of completion of the qualified training program as required by the statute. When the DIFP has completed its review of an application, the applicant will be notified that the license has been granted or refused. At that point, this bulletin will no longer apply to that applicant.

If you have any questions, please call Grady Martin at 573-751-7223 or grady.martin@difp.mo.gov.



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

INSURANCE BULLETIN 16-05

Rate stability rules for personal lines property and casualty policies

Issued: September 30, 2016

The following Bulletin is issued by the Missouri Department of Insurance, Financial Institutions and Professional Registration ("Department") to inform and educate the reader on the specified issue. It does not have the force and effect of law, is not an evaluation of any specific facts or circumstances, and is not binding on the Department. See section 374.015, RSMo.

To: All insurers writing personal lines of property and casualty insurance in Missouri

From: John M. Huff, Director

Re: Rate stability rules in personal lines of property and casualty insurance policies

This Bulletin is issued to provide information regarding rate stability rules, applicable only to personal lines of property and casualty insurance. By issuing this Bulletin, the Department is notifying insurers that it will not take enforcement action against an insurer, provided the insurer acts within or meets the guidelines set forth below.

Insurers use rate stability rules to moderate rate and premium fluctuations that may occur due to the acquisition of new business or changes in rating plans for existing policyholders. Rate stability rules are also referred to as "transition rules," "rate stability factors" or "rate-capping rules."

Rate stability rules, as referenced in this Bulletin, do not include the practice of price optimization. Insurers with questions about price optimization should review [Bulletin 16-02](#).

The Department will not take enforcement action against an insurer utilizing rate stability rules to modify rates or premiums for personal lines of property and casualty insurance so long as the rate stability rules are implemented within or meet the following guidelines:

- 1) Rate stability rules are applied in the following limited circumstances:
 - a) When an insurer makes revisions to its own rating plan;
 - b) When an insurer obtains new business through acquisition or planned acquisition of a book of business from an unaffiliated insurer; or
 - c) When an insurer transfers or receives new business from an affiliated insurer.

Within the above limited circumstances, the Department does not include the use of rate stability rules to extend a previously filed rate stability rule or in lieu of what would otherwise be separate filings of base rate changes required under Missouri law. The Department also does not include the use of rate stability rules to moderate premium changes resulting from changes in coverage, exposure, or classification; or normal variations in rating due to changes in policyholder characteristics over time.

- 2) An insurer's rate stability rules are only applied to policyholders who would otherwise experience a premium change of more than ten percent for an annual policy, or five percent for a six-month policy.
- 3) The insurer's rate stability rules are unambiguous and applied uniformly to all applicable business.
- 4) The insurer's rate stability rules are actuarially justified and, in the aggregate, be rate neutral or result in an overall rate decrease.
- 5) All rate stability rules and documentation of the use of such rules by insurers are filed with the Department, along with the rates to which the rate stability rules will be applied.
- 6) The insurer publicly discloses in the filing:
 - a) The use of a rate stability rule; and
 - b) The circumstances, as outlined in this Bulletin, that explain the reasons for the insurer's use of a rate stability rule; and
 - c) The date or number of renewals after which the rate stability rule will no longer apply, subject to the maximum duration specified in this Bulletin.
- 7) The insurer provides the Department the following information in its filing:
 - a) Each rate stability rule must specify the class or classes of risks to which it applies; and
 - b) The insurer must detail how each rate stability rule is applied and must describe the formula or methodology for the calculation; and
 - c) The insurer must document the overall percentage and dollar rate impact on an ultimate basis.

- 8) Rate stability rules are limited in duration as follows:
- a) When an insurer makes revisions to its own rating plan, a rate stability rule is applied for a maximum of three (3) years, regardless of the number of renewals; or
 - b) When an insurer acquires business from either an affiliated or unaffiliated insurer, a rate stability rule is applied for a maximum of five (5) years, regardless of the number of renewals.
- 9) The insurer agrees to maintain sufficient information, and make such information available upon request to the Department, so that the Department may accurately reproduce premiums charged to policyholders. Such information shall include, but not be limited to, rates and premiums charged for any prior terms, rates and premiums for the current term prior to application of a rate stability rule, and the specific factors or modifications applied to the current term's rates and premiums. To document this agreement, the filing containing the rate stability rule shall include an affirmative statement from the insurer that it will maintain sufficient information as specified herein.

Any questions or comments regarding this Bulletin should be directed to the Market Regulation Division at 573-751-3365.

###



DIVISION OF WORKERS' COMPENSATION

3315 West Truman Boulevard, Room 131
P.O. Box 58
Jefferson City, MO 65102-0058
Phone: 573-751-4231
Fax: 573-751-2012
www.labor.mo.gov/DWC
E-mail: workerscomp@labor.mo.gov

JEREMIAH W. (JAY) NIXON
GOVERNOR

RYAN McKENNA
DEPARTMENT DIRECTOR

JOHN J. HICKEY
DIVISION DIRECTOR

To: All Workers' Compensation Insurance Companies, Self-Insured Employers, Group Trusts, and Third Party Administrators

From: Ryan McKenna, Director 
Missouri Department of Labor and Industrial Relations

John M. Huff, Director 
Missouri Department of Insurance, Financial Institutions and Professional Registration

Date: October 31, 2016

Subject: Workers' Compensation Administrative Tax, Administrative Surcharge, Second Injury Fund Surcharge, and Second Injury Fund Supplemental Surcharge for the 2017 Calendar Year

As required by Sections 287.690, 287.715, and 287.716, RSMo., the state of Missouri shall impose a workers' compensation administrative tax, administrative surcharge, Second Injury Fund surcharge, and a Second Injury Fund supplemental surcharge. For calendar year 2017, there will be no change from calendar year 2016. For calendar year 2017, the administrative tax will be 1.0 percent, the administrative surcharge will be 1.0 percent, the Second Injury Fund surcharge will be 3.0 percent, and the Second Injury Fund supplemental surcharge will be 3.0 percent.

Section 287.690, RSMo., authorizes the imposition of an administrative tax not to exceed two percent. Section 287.716, RSMo., authorizes the imposition of an administrative surcharge at the same rate as the administrative tax. The revenue from the administrative tax and the administrative surcharge is used to fund expenses associated with the administration of the Missouri Workers' Compensation law.

Section 287.715, RSMo., authorizes the imposition of a Second Injury Fund surcharge that shall not exceed three percent. Effective January 1, 2014, Section 287.715.6, RSMo., authorizes the imposition of a Second Injury Fund supplemental surcharge not to exceed three percent. The Second Injury Fund supplemental surcharge may be collected for calendar years 2014 to 2021. The revenue generated by the Second Injury Fund surcharge and the Second Injury Fund supplemental surcharge is used to pay benefit and expense liabilities of the fund.

For more information about the functions and services of the Division of Workers' Compensation and the Second Injury Fund, visit <http://labor.mo.gov/DWC/>.

The Department of Labor and Industrial Relations and the Department of Insurance, Financial Institutions and Professional Registration look forward to working with you in 2017. If you have questions or need additional information, contact the Division of Workers' Compensation at 800-775-2667 or the Department of Insurance, Financial Institutions and Professional Registration at 800-394-0964.

*Missouri Division of Workers' Compensation is an equal opportunity employer/program.
Auxiliary aids and services are available upon request to individuals with disabilities.
TDD/TTY: 800-735-2966 Relay Missouri: 711*

**MISSOURI
DEPARTMENT OF LABOR
& INDUSTRIAL RELATIONS**